

S E C R E T

6 OCT 1978

SAO

MEMORANDUM FOR: Director of Central Intelligence

VIA : Deputy Director of Central Intelligence

FROM : John H. Stein
Acting Deputy Director for Operations

SUBJECT : GAO Report on Alleged Nuclear Diversion

REFERENCE : Our memorandum on the same subject,
dated 30 August 1978

1. Action Requested. Review options outlined in paragraph 3 and note recommendations.

2. Background. Since forwarding Reference to GAO, there has been no response to our letter. We assume the report, as previously drafted, will stand. GAO has asked us to declassify our contributions to this report. We have worked on sanitization of the report, and this version is attached. The FBI also has been asked to sanitize their contribution and is taking the position that they will not declassify. The Department of Energy's position also is that they do not want to declassify their portion.

3. Staff Position. This leaves us with two options:

a. Clear the sanitized report for passage to GAO:

(1) Pro - This is responsive to GAO's request.

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(2) Con - In our sanitized report, every effort was made to protect intelligence sources and methods [redacted]

[redacted] however, the sanitized report still would reveal sensitive information when considered together with the unclassified collateral material [redacted] which has appeared in the press and which the House Committee on Interior and Insular Affairs has published in a booklet, [redacted]

b. Advise GAO that we cannot declassify our report because of the need to have a coordinated Executive Branch position and our desire to protect a sensitive and valuable liaison equity.

(1) Pro - (Our reasons are identical to those stated in paragraph 3a(2) above.)

(2) Con - This is unresponsive to GAO's desires.

4. Coordination. This has been coordinated with OLC, OGC, NE Division and CTS.

5. Recommendation. Option B. If you concur, GAO will be advised orally by OLC.

Attachments:

- A. GAO report
- B. Booklet, [redacted]

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